

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

FILING OF AGREEMENT FOR THE PURCHASE)	
AND SALE OF FIRM CAPACITY AND ENERGY)	CASE NO.
BETWEEN BIG RIVERS ELECTRIC)	2016-00306
CORPORATION AND THE KENTUCKY)	
MUNICIPAL ENERGY AGENCY)	

ORDER

On August 5, 2016, Big Rivers Electric Corporation ("Big Rivers") submitted a tariff filing seeking approval of a proposed Agreement for the Purchase and Sale of Firm Capacity and Energy ("Agreement") with the Kentucky Municipal Energy Agency ("KyMEA"). By Order entered on September 1, 2016, the Commission opened this formal proceeding to determine the reasonableness of the proposed Agreement and suspended the proposed Agreement for five months from September 4, 2016, its earliest possible effective date, up to and including February 3, 2017. Pursuant to the Commission's Order issued September 13, 2016, a procedural schedule was established that provided for a deadline to request intervention and two rounds of discovery upon Big Rivers' proposal to enter into the Agreement. Kentucky Industrial Utility Customers, Inc. ("KIUC") is the only intervenor in this proceeding. On October 24, 2016, KIUC and Big Rivers filed notices requesting that the matter be decided upon the existing evidentiary record without the need for a formal hearing. Based on the reasons discussed in this Order, the Commission will approve Big Rivers' proposed Agreement.

BACKGROUND

On July 13, 2016, Big Rivers entered into the Agreement with KyMEA, an inter-local agency organized and existing under the laws of the Commonwealth of Kentucky, to provide firm capacity and energy to certain members of KyMEA through May 31, 2029, unless terminated or extended in accordance with the terms of the Agreement. Big Rivers will commence service to those KyMEA members taking service under the proposed Agreement on June 1, 2019. The KyMEA members that Big Rivers believes will be served under the proposed Agreement, along with each member's 2015 average non-coincident demand, are as follows: Barbourville (17 MW); Bardwell (2 MW); Benham (2 MW); Corbin (16 MW); Falmouth (3 MW); Frankfort (121 MW); Madisonville (49 MW); Paris (12 MW); and Providence (5 MW).¹

Pursuant to the proposed Agreement, Big Rivers will identify capacity from Big Rivers' system resources, with certain limitations, that KyMEA may designate as capacity necessary to satisfy the requirements of any resource adequacy program. In addition to being paid for capacity in the form of a Monthly Reservation Charge, Big Rivers will also be paid for energy delivered to KyMEA members. The proposed Agreement is subject to several conditions and contingencies, including Big Rivers' obligation to obtain approval from the Commission and compliance with the Rural Utilities Service ("RUS") notice or approval requirements. KyMEA is obligated to obtain adequate participation from its members. If all contingencies have not been satisfied or waived on or before October 1, 2017, either Big Rivers or KyMEA may terminate the Agreement. With respect to Commission and RUS approvals, the proposed Agreement

¹ Big Rivers' response to Commission Staff's First Request for Information, Item 3.

provides that if such approvals are not received within 270 days from the July 13, 2016 effective date, or by December 13, 2016, KyMEA may terminate the Agreement.

DISCUSSION

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that the proposed Agreement is reasonable under the particular facts presented and that the Agreement should be approved. As part of its load-mitigation efforts stemming from the departure of two significant aluminum smelter loads, Big Rivers has, among other things, endeavored to find new customers and has responded to multiple load-serving entities' requests for proposals and other power-supply negotiations. The proposed Agreement is consistent with Big Rivers' efforts to mitigate the impact of the departure of the aluminum smelter loads. Although the contract terms involve a relatively minimal amount of Big Rivers' capacity over an intermediate period of time, the revenues from the proposed Agreement should generate margins that would defray fixed costs that would otherwise be shouldered by Big Rivers' native load customers.

IT IS THEREFORE ORDERED that:

1. The proposed Agreement entered into between Big Rivers and KyMEA is approved as of the date of this Order.
2. Big Rivers shall notify the Commission within ten days of receipt of any RUS-required approvals for the proposed Agreement.
3. Any document filed in the future pursuant to ordering paragraph 2 herein shall reference this case number and shall be retained in the utility's general correspondence file.

By the Commission

ENTERED
DEC 12 2016
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2016-00306

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